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C O N F I D E N T I A L SECTION 01 OF 04 BEIRUT 003104

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SUBJECT: LEBANON: PRESIDENTIAL DELEGATION FOR LEBANON MEETS
PRIME MINISTER SINIORA

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Classified By: Jeffrey D. Feltman, Ambassador. Reason: 1.4 (d)

SUMMARY

¶1. (SBU) The Presidential Delegation for Lebanon met with Prime Minister Siniora on September 23 and affirmed its commitment to achieving both immediate and long-term results for Lebanon, as well as its commitment to a long-term engagement with the country. The PM appealed to the Delegation to support a comprehensive peace process in the region. He dismissed Hizballah's message, articulated in a massive rally the night before, as belonging to the past. Cisco President Chambers announced a \$10 million contribution to Lebanon as a way to kick off the group's work. The Delegation and the Prime Minister discussed Lebanon's economic strengths and weaknesses and proposed some ideas to consider, including internships for Lebanon's university graduates. The PM agreed to make several cabinet members available for followup and coordination to include quarterly videoconferences. Finally, Assistant Secretary Powell announced the creation of the US-Lebanon Partnership Fund and pledged continuing USG support for Lebanon in the Core Group. End Summary.

¶2. (SBU) The Presidential Delegation for Lebanon, headed by Assistant Secretary Dina Powell and including Mr. John Chambers, President and CEO, Cisco Systems, Mr. Yousif Ghafari, Chairman, Ghafari Inc., Mr. Ray Irani, Chairman, Occidental Petroleum Corporation, Ambassador Jeffrey Feltman, and Mr. Craig Barrett, Chairman, Intel Corporation (who did not travel to Lebanon), met with Prime Minister Siniora on September 23 at the Grand Serail to discuss its proposed role and coordinate with the GOL.

NOT A VISIT, BUT A COMMITMENT

¶3. (SBU) Cisco's John Chambers, speaking for the Presidential Delegation, thanked the Prime Minister for his interest and assured him that the Presidential Delegation was at the service of the people of Lebanon. Mr. Chambers informed the Prime Minister that the people of America, long known for their generosity, were genuinely interested in helping Lebanon, not only to repair the considerable damage

of the war, but to catapult the country into becoming a leading example in the region for stability, democracy and prosperity. Mr. Chambers promised the Prime Minister that the Delegation's presence in Lebanon was not simply another "assessment visit," but rather a "firm commitment" that will not only provide long-term assistance and advice, but will work extremely hard to get "visible, concrete results" in the next few months. Mr. Chambers assured the Prime Minister, that as businesses who are deeply attuned to the global market, his company and the other corporate members of the Delegation, are able to act with speed, decisiveness, and to great effect.

A REQUEST FROM SINIORA

¶4. (SBU) Prime Minister Siniora expressed his deep appreciation for the generous and significant outpouring of support and funds from the American people through the U.S. Government. He particularly wished to thank President Bush for his steady, firm support of democracy, sovereignty, and the pro-reform movement in Lebanon. PM Siniora also stated that he was very interested in the Delegation's plan to establish a fund that will provide even greater resources to help with the reconstruction of his beloved country.

¶5. (C) But the Prime Minister also made a specific request that was outside the realm of reconstruction. He asked the assembled executives, who he understood to be close associates of the President, to urge President Bush to pursue a just, comprehensive peace process in the region as soon as possible. PM Siniora maintained that the just-concluded conflict in Lebanon, despite its heavy costs, may indeed have provided "an unexpected opening" that could be used to finally change the decades-old dynamic of inertia and even, on some issues, a hardening of positions. PM Siniora

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insisted that the longer a comprehensive solution is delayed, the greater the opportunity will be for reactionary, violent forces in the region to succeed. He said the forces of democracy and moderation were in a race against time and had to move quickly. The Assistant Secretary and her colleagues said they would relay this message.

¶6. (C) After leaving the room to take a call from Tunisian President Ben Ali (who, to his amusement, Siniora's staff had mistaken for Algerian President Bouteflika) Siniora rejoined the meeting. Upon his return, Irani conveyed the best wishes and support of the American people and their admiration for what Siniora had accomplished, in particular in reconstruction, and the personal esteem of FLOTUS for Mrs. Siniora. "Without you," Irani said to the PM, "all the alternatives are bad."

COUNTERPOINT TO HIZBALLAH'S VISION

¶7. (C) With the previous evening's Hizballah rally fresh in mind, Siniora responded "we need stability; other parties want to take the country elsewhere. This is important for the whole region, as all forces of moderation feel like they are being forsaken." The Ambassador noted that foreign investors are not encouraged by scenes like the rally, which had drawn hundreds of thousands. Siniora responded that Lebanon is a democracy, and that the events of the previous evening were instigated by people wedded to the past. We need to "sell the dream" he said. The Ambassador added that Hizballah SYG Nasrallah had questioned whether Lebanon should be linked to the West at all, and that the executives on the Delegation provided the counterargument.

¶8. (C) Siniora amplified this: "Nasrallah tried to say that development has accomplished nothing." He added that "in two months this government has stopped the war, obtained the withdrawal of the IDF, and ensured national unity. This

government has been very successful and we shouldn't be shaken; we should stand fast and carry on the process. We should focus on what we can do in achieving results, not waste time in silly arguments. We should encourage those who have real interests in developing and strengthening the country." He then cited UN reconstruction official David Shearer's estimation that Lebanon had moved from crisis to recovery faster than any other he had seen. (Note: Siniora was obviously moved by this praise and has trotted it out for a number of audiences as a counter to his critics' assertions that the GOL was slow to help its people during and after the crisis. End Note.)

CISCO'S CONTRIBUTION

¶9. (SBU) Chambers steered the discussion away from politics. "I'm not a politician, I'm a businessman who listens." Chambers stressed the urgency of getting on with reconstruction and economic recovery and promised to convey that urgency, and the need for moderation in Lebanon, to President Bush. Chambers said that Lebanon, with its superior health care and education sectors, can be a model for the region and for other regions as well.

¶10. (SBU) At this point Chambers announced Cisco's initial contribution to Lebanon within the framework of the Delegation's reconstruction effort. Chambers said that Cisco will invest \$10 million in a Capital Investment Fund through local banks to support Small and Medium Enterprises (SMEs), and that Cisco will also create and provide salary support to Cisco Network Academies in Lebanon, expanding these Academies from 21 to 42. In addition, Cisco in cooperation with the other US firms will offer graduates from Lebanese universities internships overseas and in the US, with the focus on ensuring that these graduates return from their internships to contribute to the skilled workforce and economic development of Lebanon.

PLAYING TO LEBANON'S STRENGTHS

¶11. (SBU) Chambers then asked Siniora whether it might be

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realistic that the team, working with GOL economic policymakers, could add 3-4 percent to Lebanon's GDP. Is that too big a stretch, he asked? Siniora responded that if Lebanon continues to look backward its bound to stay where it is and continue to make mistakes. We need to understand what are the comparative advantages of Lebanon; for example, the country is not rich in energy, but there may be a chance for offshore exploration. Lebanon doesn't have cheap labor and must import labor. Neither does Lebanon have vast stretches of agricultural land like Syria, for example, and must therefore design its agricultural sector in a smarter way. Lebanon's real strength is its people, all of whom are potential entrepreneurs. "Most Lebanese are daring and aggressive, and the economy creates energy and competition."

¶12. (SBU) The most important focus is on education, the PM continued. The Lebanese are prepared to forego food itself to ensure an education for their children. Lebanese everywhere are successful, the PM said. The main asset in the Lebanese people is ambition. How to take advantage of this? Your company is the best at this, Siniora continued. Create university departments, scholarships, raise standards of education. We have had a "democracy of education," Siniora added, "but access to education has sometimes come at the expense of quality."

¶13. (SBU) Chambers agreed that the first priority should be education and noted Irani's generosity in this field. He said that Cisco would help university level students by doubling or tripling their Network Academies in Lebanon and then hiring 1000 of those graduates to place them in NGO's.

The problem with graduates, Chambers said, is that they feel the need to leave Lebanon.

NEW SECTORS

¶14. (SBU) Chambers added that the group, with its business ties in the US, can bring venture capital and financing for such sectors as health care, which will be the highest-growth sector in the future. He noted that Lebanese doctors are at an advantage because they are of high quality and multilingual. Lebanon can be a regional hub for health care.

¶15. (SBU) Chambers said that venture capital can also be used in Lebanon to grow companies, and not merely with financial infusions. He noted that he had not used the venture capital he had available to grow Cisco, but that he had taken more advantage of the expertise available from venture capitalists. Some of this kind of help can be used in a variety of business sectors in Lebanon -- for example, he noted, Lebanon in the near future might not import US television programming for its local market, but might instead buy scripts from US companies and produce the shows locally. In this vein, Chambers said that he would like to kick off a long-term relationship with the US business community "with tangibles built-in" that would produce both immediate and long-term results.

¶16. (SBU) Siniora suggested setting up an action plan, and Chambers seized on the idea and asked with whom the Delegation should interface with. Siniora said that he would put his Finance, Economy, Social Affairs, Education and Communications Ministers at their disposal.

NEXT STEPS

¶17. (SBU) Chambers said that "while everyone talks of rebuilding infrastructure, the infrastructure of the future is broadband internet." Siniora noted that the GOL is making great progress on broadband internet. (Note: Approval for DSL internet access, a now-mature technology that would be Lebanon's first true broadband access, has been stalled for unknown reasons in the Council of Ministers for over four months. End Note.) Chambers said that new technologies including wireless broadband are available for Lebanon to take advantage of.

¶18. (SBU) Siniora Advisor and previous Washington Ambassador Mohamed Chattah asked the group how it would implement its

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tangible assistance with the GOL. Chambers said that the group would put together its ideas in Washington and ask the GOL to prioritize them. It would also ask the GOL to be frank about which proposals it would prefer the group not pursue, whether for political or any other reasons. Once a quarter, Chambers proposed, the group and its GOL counterparts can get together for a videoconference session, for which Chambers offered to supply and set up the equipment. Siniora welcomed this idea and noted that the Delegation's presence and work send a strong signal the Lebanon is not being left alone, and could attract other investors. He noted his own business background and that he understands how businesspeople think.

¶19. (SBU) Chambers asked about financing for housing. Siniora responded that the GOL has provided important help already. Over 100,000 housing units have been damaged, 15,000 of which were totally destroyed, and the GOL will need \$2 billion for housing compensation. Chambers asked Siniora to give his priorities and offered to work with NGO's. Siniora asked the Delegation to adopt a village, as he had been seeking from each donor, and Chattah and Siniora promised to send the Delegation a list of villages that need reconstruction help. Chattah added that Lebanon had to raise

the growth rate by several percent, "leapfrogging" the crisis. Siniora appealed to the group not to let its initiatives get bogged down in politics.

¶20. (SBU) Siniora welcomed the group's idea for internships in the US, and said that "by providing internships for the students who really excel, we can introduce competition for students also, and they will receive an award for their performance." At this point Ghafari interjected that he had talked to Lebanese students who had had negative impressions of the US before their internships there and that following their time in the US their impressions were completely changed to the positive. Siniora agreed: "people don't like what they don't know."

OFFICIAL AND NONOFFICIAL SUPPORT

¶21. (SBU) Assistant Secretary Powell addressed Siniora specifically to let him know that the President and the Secretary made the Delegation a special priority as a

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reflection of their confidence in Siniora. They stand by the PM and want the group's initiatives to be under his leadership. She added that the group would announce on Monday the creation of a US-Lebanese Partnership Fund and the launch of its website, which will permit any visitor to contribute to Lebanon's reconstruction. She expected that Arab-Americans in particular would contribute generously. The Fund and its contribution mechanism would follow the same model used following the Pakistan earthquake. USAID Senior Deputy Assistant Administrator Mark Ward added that the Fund to be announced will be able to move quickly because it will not be bound by the same restrictions and conditionalities that govern other initiatives such as USAID funding. Siniora praised the Fund proposal and said, "don't let it lose momentum."

¶22. (SBU) A/S Powell added that the USG would continue to work with the Lebanon Core Group on the reconstruction effort, and that NSC, State and Treasury would provide leadership.

¶23. (SBU) The Delegation did not have the opportunity to clear on this cable.

FELTMAN